



TSP at a Glance

Thrift Savings Plan for
the Uniformed Services



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

1250 H Street, NW Washington, DC 20005

June 2003

WELCOME TO THE THRIFT SAVINGS PLAN!

Although participation in the TSP is optional for members of the uniformed services, enrolling in the TSP is an important step toward saving for your retirement. Years from now, you will be glad you took advantage of the opportunity to create this additional nest egg!

Your TSP contributions will be taken automatically from your pay each month. If you contribute from your basic pay, you can also elect to contribute from any incentive and special pay, including bonus pay, that you receive.

Unlike your retired pay, which is based on your years of service and the rank you hold at the time of your retirement, the retirement income you receive from your TSP account will depend on how much you contribute during your working years and how much you earn on those contributions. You decide how your contributions are invested in the five TSP funds, and you don't pay taxes on your tax-deferred contributions or earnings until you take your money out. Your TSP nest egg is yours to keep even if you do not serve the 20 or more years ordinarily necessary to receive uniformed services retired pay.

This brochure is designed only to introduce you to the major features of the TSP. You should read the more detailed *Summary of the Thrift Savings Plan for the Uniformed Services*; it is the authoritative source of information about the TSP. The Plan Summary and other TSP publications and forms are available from your service and can be downloaded from the TSP Web site at www.tsp.gov.

You can participate in the TSP if you are an active duty member of the uniformed services or a member of the Ready Reserve or National Guard (in any pay status).

How much can I contribute to the TSP?

In 2003, you can contribute up to 8% of your basic pay each pay period. This percentage limit will increase to 9% in December 2003, and to 10% in December 2004. The TSP percentage limit will be eliminated in December 2005 and only the IRS elective deferral limit (\$12,000 for 2003 and \$13,000 for 2004) will apply. Contributions from tax-exempt pay (earned while serving in a combat zone) do not apply against the IRS elective deferral limit.

If you contribute from basic pay, you may also contribute from 1 to 100 percent of any incentive pay or special pay (including bonus pay) you receive.

The IRS also imposes another annual limit on the amount of contributions made to a participant's TSP account. This limit (\$40,000 or 100% of pay, whichever is less, in 2003) applies to the combined total of tax-deferred and tax-exempt contributions. Other limits apply to members who also participate in other tax-deferred or private-sector employer plans.

What are the benefits of participating in the TSP?

Tax Savings. Your TSP contributions are deducted from your taxable pay before Federal and, in most cases, state income taxes are calculated. As long as the money stays in your account, you pay no income tax on any contributions or associated earnings.

Choice of Investment Funds. All participants can invest in any or all of the five TSP funds. You can choose the investment mix that is right for you.

Loans. Through the TSP loan program, you may borrow your contributions and related earnings for a general purpose loan (with a repayment period of 1 to 5 years) or a loan for the purchase of a primary residence (with a repayment period of 1 to 15 years). Documentation is required only for residential loans. There are other restrictions on loan amounts. Spousal rights apply. For more information, read the booklet *TSP Loan Program*.

In-Service Withdrawals. While you are a member of the uniformed services, you may withdraw your money after age 59½ or for financial hardship. Read the booklet *TSP In-Service Withdrawals* for more information.

Portable Benefits. You may transfer money from traditional IRAs or eligible employer plans into your TSP account. If you leave the uniformed services, you can ask the TSP to transfer certain types of withdrawal payments to a traditional IRA or eligible employer plan that accepts such transfers (including a civilian TSP account, if you have one).

Choice of Post-Separation Withdrawal Options. You may choose to withdraw your account in a single payment, monthly payments, life annuity, or any combination of these options. Refer to the booklet *Withdrawing Your TSP Account After Leaving Federal Service*.

How do I sign up for the TSP?

Enroll in the TSP through your service. Your service TSP representative can tell you whether you must enroll electronically (e.g., using MyPay), or whether you can submit Form TSP-U-1, Election Form. The form is available from your service or the Forms & Publications section of the TSP Web site (www.tsp.gov).

You must indicate what percentage of your basic pay you want to contribute each pay period. If you contribute from basic pay, you are also eligible to contribute from any incentive pay or special pay, including bonus pay, that you receive.

You can make your election during any TSP open season or, if you are a new service member, you can enroll during the first 60 days after your employment. Your service will deduct your contributions from your pay each pay period. (If you are contributing from basic pay, you can elect to contribute from bonus pay (only) at any time.) You can stop your contributions at any time.

As a member of the Ready Reserve, can I contribute to both a civilian and a uniformed services TSP account?

Yes, but you can contribute to your uniformed services account only from your uniformed services pay; similarly, you can contribute to your civilian account only from your civilian pay. Your two TSP accounts are maintained separately, and any transaction must be requested separately for each account.

If you contribute to both, however, the sum of your contributions to the two TSP accounts during the same calendar year cannot exceed the applicable Internal Revenue Code contribution limit. In addition, civilian FERS employees who also contribute from Reserve pay should take care not to reach their contribution limit before the end of the calendar year or they will miss out on their civilian agency matching contributions.

How do I allocate my contributions among the five funds?

You can allocate your contributions using the TSP Web site, the ThriftLine ((504) 255-8777), or Form TSP-U-50, Investment Allocation. If you are new to the TSP and you have never made a contribution allocation, all contributions to your account will be invested in the G Fund until you make an allocation. You may change your contribution allocation at any time. (To redistribute money already in your account, you must make an interfund transfer.)

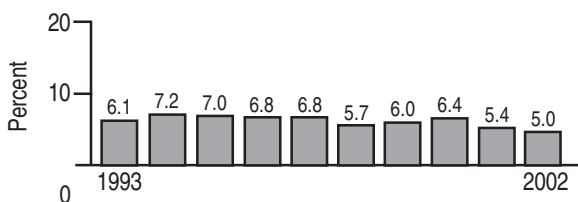
What are my investment options?

You have a choice of five investment funds. Read the detailed description of the funds in the *Summary of the Thrift Savings Plan for Federal Employees* before making any investment choices.

The G Fund. The Government Securities Investment Fund is invested in short-term non-marketable U.S. Treasury securities that are specially issued to the TSP. The G Fund interest rate is a weighted average of market rates of return on outstanding U.S. Treasury securities with 4 or more years to maturity. The following chart shows the G Fund total rates of return (after expenses) for the 10 years through 2002.

G Fund Rates of Return

1993 – 2002 compound annual rate of return = 6.2%



There is no credit risk (that is, risk of non-payment of principal or interest) for the Treasury securities in the G Fund. In addition, market risk (risk that investments may fluctuate in value as interest rates change) is eliminated by the Board's current policy of investing the G Fund in short-term rather than longer-term securities. However, G Fund rates of return may well be lower than those of the other TSP funds over the long term.

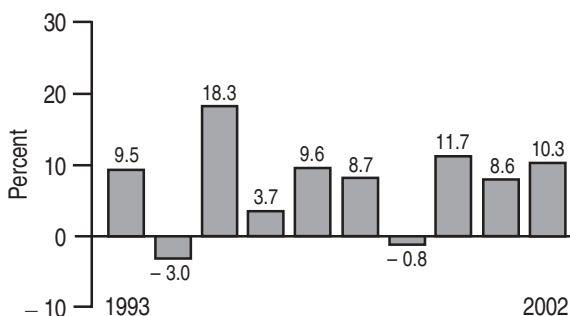
The F Fund. The Fixed Income Index Investment Fund is invested in a bond index fund that tracks the Lehman Brothers U.S. Aggregate (LBA) bond index. This index consists primarily of high-quality fixed-income securities representing the U.S. Government, mortgage-backed, corporate, and foreign government sectors of the U.S. bond market.

The F Fund offers the potential for increased rates of return relative to the G Fund over the long term, especially in periods of generally declining interest rates. At such times, the market value of the bonds held in the F Fund should increase, unlike those of the short-term securities held in the G Fund.

Unlike the G Fund, the F Fund carries credit risk, market risk, and prepayment risk. Thus, the F Fund also has the potential for negative returns, which would result in losses. The chart below shows the F Fund total rates of return (after expenses) for the 10 years through 2002.

F Fund Rates of Return

1993 – 2002 compound annual rate of return = 7.5%



The TSP Stock Funds. The C, S, and I Funds are stock index funds. The advantages of investing in stock index funds are: (1) the potential for the relatively high investment returns that are sometimes available from stocks; (2) diversification among a broad range of stocks, which mitigates the effect on overall returns from the poor performance of an individual security or industry; and (3) relatively low investment management fees and trading costs.

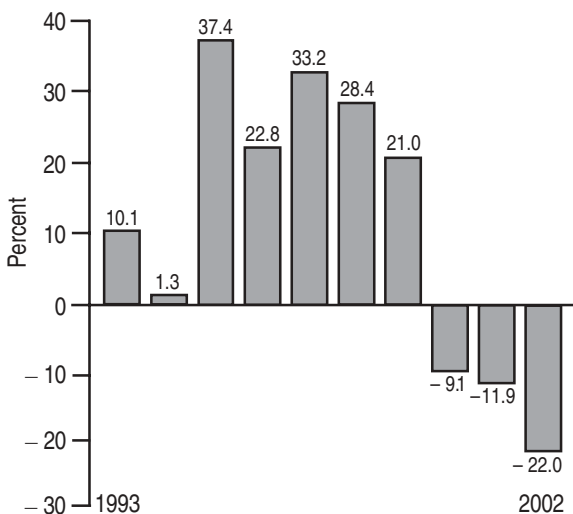
The main risk of investing in a stock index fund is that it may experience a sharp decline with unfavorable changes in overall economic conditions. The total return on a stock fund could be negative, resulting in a loss.

The C Fund. The Common Stock Index Investment Fund is a large company stock fund. The C Fund tracks the Standard & Poor's 500 (S&P 500) stock index, which consists of the stocks of 500 companies traded in the U.S. stock markets.

The C Fund gives you the opportunity to invest in a diversified portfolio of large U.S. companies. The risk of investing in the C Fund is that the value of stocks can decline sharply, and the total return on the C Fund could be negative, resulting in a loss. The chart below shows total rates of return (after expenses) for the 10 years through 2002.

C Fund Rates of Return

1993 – 2002 compound annual rate of return = 9.3%



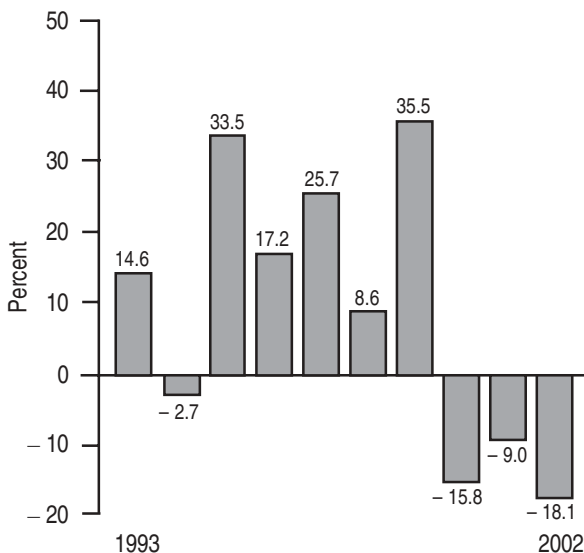
The S Fund. The Small Capitalization Stock Index Investment Fund is the TSP's medium and small company stock fund. The S Fund tracks the Wilshire 4500 stock index, which consists of the stocks of U.S. companies not included in the S&P 500 index.

The S Fund gives you the opportunity to further diversify your stock investments. The Wilshire 4500 index is the broadest measure of the U.S. stock markets that excludes the companies in the S&P 500 index. Thus, the S Fund in combination with the C Fund covers virtually the entire U.S. stock market.

Investing in the S Fund includes the additional risk associated with stocks of mid-size and smaller companies, which tend to be more volatile than the stocks of the larger companies in the C Fund's S&P 500 index. The chart below shows rates of return for the 10 years through 2002.

Wilshire 4500 and S Fund Rates of Return*

1993 – 2002 compound annual rate of return = 7.3%



* Because the S Fund was established in May 2001, no historical rates of return are available before that date. The chart shows the returns of the Wilshire 4500 index (without any deductions for expenses) before 2001. The 2001 return is a composite return using the Wilshire 4500 index return for the period before May and the actual S Fund return for the remainder of the year.

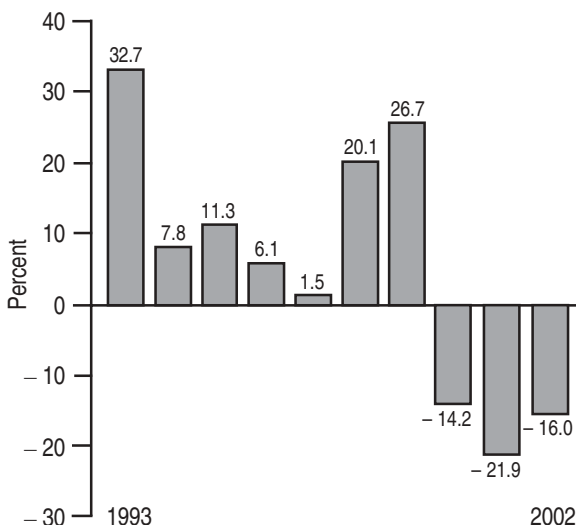
The I Fund. The International Stock Index Investment Fund is the TSP's foreign company stock fund. The I Fund tracks the EAFE (Europe, Australasia, Far East) stock index, which consists of common stocks of large international companies in 21 countries.

The I Fund gives you the opportunity to further diversify your stock investments to include stock markets of developed countries outside the U.S.

The additional risk of investing in the I Fund is that I Fund investments include both the increased volatility of foreign markets and the risk of foreign currency fluctuations. The chart below shows the EAFE index and I Fund rates of return for the 10 years through 2002.

EAFE and I Fund Rates of Return*

1993 – 2002 compound annual rate of return = 3.9%



* Because the I Fund was established in May 2001, no historical rates of return are available before that date. The chart shows the returns of the EAFE index (without any deductions for expenses) before 2001. The 2001 return is a composite return using the EAFE index return for the period before May and the actual I Fund return for the remainder of the year.

If you choose to invest in the F, C, S, or I Fund, you must acknowledge the risks involved. There is no assurance that future rates of return will replicate the rates shown in the previous charts.

The *Guide to TSP Investments*, available from your personnel office or the TSP Web site, offers more detail about TSP investments.

Can I change the way the money in my account is invested?

Yes. You can change the investment of money already in your account by requesting an interfund transfer. You can make your request on the TSP Web site (www.tsp.gov), the ThriftLine ((504) 255 - 8777), or on Form TSP-U-50, Investment Allocation. Interfund transfers are processed each business day. The TSP will send you a confirmation of the transfer. (To change the way your future contributions are invested, you must make a contribution allocation.

How do I keep track of my account?

The TSP will send you quarterly participant statements showing your account activity for the previous 3 months, or you may elect to receive your statement on-line. Check all of the information on your statement, including your address. Your statement and other important mailings are sent to the address that your service reports to the TSP record keeper. Contact your service TSP representative if any corrections are necessary. (If you are separated from the uniformed services, contact the TSP Service Office.)

You can also find out your account balance by visiting the TSP Web site or by calling the ThriftLine.

What are my spouse's rights?

Spouses' rights requirements apply to all loans, in-service withdrawals, and post-employment withdrawals.

Loans and In-Service Withdrawals. If you are married, your spouse must give written consent to your loan or in-service withdrawal request.

Post-Separation Withdrawals. Spouses' rights requirements apply to accounts of more than \$3,500. If you are married, your spouse is entitled to a prescribed joint and survivor annuity. If you select any other withdrawal option, your spouse must first waive his or her right to the prescribed annuity.

Special Information Services

Your primary source of information about the TSP is the *Summary of the Thrift Savings Plan for the Uniformed Services*. Ask your service TSP representative for a copy. You may also be interested in the following special services:

TSP Web Site: www.tsp.gov

The TSP Web site is the most efficient way to get up-to-date information or request transactions.

You can get daily and historical share prices, monthly and historical rates of return for the five TSP investment funds and related indexes, the current loan interest rate and annuity interest rate index, and the most recent copies of TSP materials. You can also use the interactive calculators to project the growth of your account and to estimate loan payments, monthly payments, or annuity payments.

Using your Social Security number (SSN) and your TSP Personal Identification Number (PIN), you can enter the secure area of the Web site to find out your daily account balance in shares and dollars, the amount available for you to borrow, your outstanding loan balance and prepayment amount, and the status of a loan or withdrawal request. You can change or replace your PIN, change the allocation of your future payroll contributions among the five TSP funds, request an interfund transfer, initiate (and in some cases complete) a loan or withdrawal, and reamortize your loan.

ThriftLine: (504) 255-8777

The ThriftLine is an automated service accessible through any touch-tone telephone, 24 hours a day, 7 days a week (not toll-free). You can call for the most recent rates of return, the current loan interest rate, and the current annuity interest rate index. You can hear TSP news and replace your PIN. You can also speak to a participant service representative.

With your SSN and TSP PIN, you can check your account balance, execute certain transactions, and find out the amount available for you to borrow, your outstanding loan balance, and your prepayment amount.

Text Telephone: (504) 255-5113

Hearing-impaired participants can contact the TSP Service Office, Monday – Friday, 7:00 a.m. – 4:30 p.m., central time.

